

ALGANSEE TOWNSHIP
FINANCIAL STATEMENT
MARCH 31, 2005

AUDITING PROCEDURES REPORT
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Algonsee</u>		County <u>Branch</u>
Audit Date <u>March 31, 2005</u>	Opinion Date <u>August 9, 2005</u>	Date Accountant Report Submitted to State: <u>Sept. 6, 2005</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <u>David F. Looney, CPA, PC</u>			
Street Address <u>6036 N. W. 166</u>	City <u>Sturgis</u>	State <u>MI</u>	ZIP <u>49091</u>
Accountant Signature <u>David Looney</u>			

ALGANSEE TOWNSHIP

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Special Revenue Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Fund	7
Statement of Cash Flows - Expendable Trust	8
NOTES TO FINANCIAL STATEMENTS	9 - 15
Statement of Revenues and Other Sources Budget and Actual - General Fund	16
Statement of Expenditures Budget and Actual - General Fund	17
Balance Sheet - Special Revenue Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - All Special Revenue Funds	19
Combining Statement of Changes in Assets and Liabilities - Agency Funds	20
Combining Balance Sheet - Trust and Agency Funds	21
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Algansee Branch County
Quincy, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Algansee Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Algansee, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

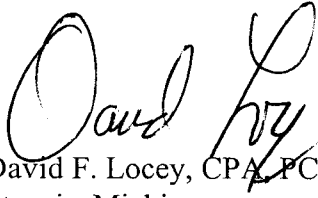
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the

governmental activities of the Township of Algansee, Michigan, as of March 31, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Algansee, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "David Locey", written over the printed name.

David F. Locey, CPA, PC
Sturgis, Michigan
August 9, 2005

Algansee Township - Branch County
Combined Balance Sheet
All Fund Types
March 31, 2005

	Governmental Fund Types		Fiduciary Fund Types	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Fixed Assets	Reporting Entity
<u>ASSETS</u>					
Cash and Interest-Bearing Deposits	\$496,565	\$0	\$81,542	\$0	\$578,107
Due From State of Michigan	32,224				32,224
Receivable - Tax Delinquent	9,402				9,402
Receivable - Special Projects	8,947				8,947
Prepaid Expense	681				681
Future Assessment Receivable	0	55,675			55,675
Due From Tax Account	73,704				73,704
Investment in Fixed Assets				140,523	140,523
Total Assets	<u>\$621,523</u>	<u>\$55,675</u>	<u>\$81,542</u>	<u>\$140,523</u>	<u>\$899,263</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$3,859	\$0	\$0	\$0	\$3,859
Deferred Revenue		38,591			38,591
Due to Other Government Units			0		0
Due to General Fund			73,704		73,704
Total Liabilities	<u>3,859</u>	<u>38,591</u>	<u>73,704</u>	<u>0</u>	<u>116,154</u>
Fund Equity					
Reserved for Perpetual Care			7,838		7,838
Special Assessment Projects	0	17,084			17,084
Unreserved--Undesignated	617,664	0			617,664
Investment In Fixed Assets				140,523	140,523
Total Fund Equity	<u>617,664</u>	<u>17,084</u>	<u>7,838</u>	<u>140,523</u>	<u>783,109</u>
Total Liabilities and Fund Equity	<u>\$621,523</u>	<u>\$55,675</u>	<u>\$81,542</u>	<u>\$140,523</u>	<u>\$899,263</u>

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All
Governmental Fund Types
For the Year Ended March 31, 2005

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes	\$58,554	\$20,814	\$79,368
Licenses and Permits	10,685		10,685
State Grants	138,849		138,849
Charges for Services	840		840
Interest and Rentals	8,734		8,734
Other Revenue	10,970		10,970
Total Revenues	228,632	20,814	249,446
Expenditures			
Current			
Legislative	38,296		38,296
General Government	49,978		49,978
Public Safety	49,018		49,018
Public Works	75,169	35,354	110,523
Capital Outlay	8,246		8,246
Total Expenditures	220,707	35,354	256,061
Excess of Revenues Over (Under) Expenditures	7,925	(14,540)	(6,615)
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Prior Period Adjustment	(14,728)	44,412	29,684
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,803)	29,872	23,069
Net Assets - Beginning of the Year	624,467	(12,788)	611,679
Net Assets - End of the Year	\$617,664	\$17,084	\$634,748

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Statement of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual
General Fund
For the Year Ended March 31, 2005

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$55,800	\$58,554	\$2,754
Licenses and Permits	2,700	10,685	7,985
State Grants	130,000	138,849	8,849
Charge for Services	500	840	340
Interest and Rentals	5,000	8,734	3,734
Other Revenue	8,910	10,970	2,060
Total Revenue	202,910	228,632	25,722
Expenditures			
Legislative	39,440	38,296	1,144
General Government	72,550	49,978	22,572
Public Safety	53,590	49,018	4,572
Public Works	96,900	75,169	21,731
Capital Outlay	70,000	8,246	61,754
Total Expenditures	332,480	220,707	111,773
Excess of Revenues Over (Under) Expenditures	(129,570)	7,925	137,495
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Prior Period Adjustment	(14,728)	(14,728)	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(144,298)	(6,803)	137,495
Net Assets - Beginning of the Year	624,467	624,467	0
Net Assets - End of the Year	\$480,169	\$617,664	\$137,495

The Notes to the Financial Statements are an integral part of this statement.

Alganssee Township - Branch County
Statement of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual
Special Revenue Funds
For the Year Ended March 31, 2005

SPECIAL REVENUE FUNDS			
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$20,814	\$20,814	\$0
Total Revenue	20,814	20,814	0
Expenditures			
Public Works	35,354	35,354	0
Total Expenditures	35,354	35,354	0
Excess of Revenues Over (Under) Expenditures	(14,540)	(14,540)	0
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Prior Period Adjustment	44,412	44,412	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	29,872	29,872	0
Net Assets - Beginning of the Year	(12,788)	(12,788)	0
Net Assets - End of the Year	\$17,084	\$17,084	\$0

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
 Statement of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual
 General Fund And Special Revenue Funds
 For the Year Ended March 31, 2005

	TOTAL		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$76,614	\$79,368	\$2,754
Licenses and Permits	2,700	10,685	7,985
State Grants	130,000	138,849	8,849
Charge for Services	500	840	340
Interest and Rentals	5,000	8,734	3,734
Other Revenue	8,910	10,970	2,060
Total Revenue	223,724	249,446	25,722
Expenditures			
Legislative	39,440	38,296	1,144
General Government	72,550	49,978	22,572
Public Safety	53,590	49,018	4,572
Public Works	132,254	110,523	21,731
Capital Outlay	70,000	8,246	61,754
Total Expenditures	367,834	256,061	111,773
Excess of Revenues Over (Under) Expenditures	(144,110)	(6,615)	137,495
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Prior Period Adjustments	29,684	29,684	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(114,426)	23,069	137,495
Net Assets - Beginning of the Year	611,679	611,679	0
Net Assets - End of the Year	\$497,253	\$634,748	\$137,495

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
 Statement of Revenues, Expenditures And Changes In Fund Balances - Expendable Trust Fund
 For the Year Ended March 31, 2005

	FIDUCIARY FUND TYPE
	Expendable Cemetery Trust
Nonoperating Revenues	
Interest Earned on Investments	\$186
Total Nonoperating Revenues	186
Nonoperating Income (Loss)	186
Nonoperating Revenues (Expenses)	
Transfers In (Out)	0
Total Nonoperating Revenues (Expenses)	0
Net Income	186
Net Assets - Beginning of the Year	4,827
Net Assets - End of the Year	\$5,013

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
 Statement of Cash Flows
 Expendable Trust Fund
 For the Year Ended March 31, 2005

	<u>FIDUCIARY FUND TYPE</u>
	<u>Expendable Cemetery Trust</u>
Cash Flows From Noncapital Financing Activities	
Transfers In (Out)	\$0
Net Cash Provided by Noncapital Financing Activities	0
Cash Flows From Investing Activities	
Interest on Investments	0
Net Cash Provided by Investing Activities	186
Net Increase (Decrease) in Cash and Cash Equivalents	186
Cash and Cash Equivalents at Beginning of Year	4,827
Cash and Cash Equivalents at End of Year	<u><u>\$5,013</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Algansee Township is located in Branch County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment. The Township became a general law Township in 1843, and is governed by a five member board elected by the citizens of Algansee Township. The board consists of the supervisor, clerk, treasurer and two trustees who reside in the community.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (the primary government) and its component units (none). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

General Fund - This is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, State revenue sharing distributions and permits.

Algansee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

Special Funds - These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These include: agency funds and a nonexpendable cemetery trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Nonexpendable trust funds are treated in the same manner as proprietary fund types.

ACCOUNT GROUPS

General Fixed Assets Account Group - These assets are used in governmental fund type operations (general fixed assets) are accounted for in general fixed assets account group, rather than in governmental funds. Assets are stated at cost or market value at the date of original acquisition. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs and gutters are not capitalized.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

GOVERNMENTAL FUNDS

All governmental funds utilize the modified accrual basis of accounting which provides that revenues be recorded when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred.

Algansee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

FIDUCIARY FUNDS

The fiduciary funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Expendable trust fund uses the full accrual basis of accounting. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

BUDGETS AND BUDGETARY ACCOUNTING

Primary Government

The annual budget is prepared by the Township Board and adopted by the Township Board at the annual public hearing. All subsequent amendments to the budget are approved by the Township Board. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared in accordance with generally accepted accounting principles. The budget has been adopted on an activity basis.

Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted.

Property Taxes

The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, based on the assessments made the previous December 31. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Township operations. Property taxes are recognized when levied since the County purchases the delinquent taxes each year.

Algansee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund elimination's have not been made in the aggregation of these data.

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Township are at four banks in the name of Algansee Township. Michigan Compiled Laws (MCL), Section 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public fund may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Township's cash deposits are as follows:

	<u>Reporting Unit</u>
<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$461,670
Uninsured	116,437
Total Deposits	<u>\$578,107</u>

Algansee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has participated in the Michigan township Participating Plan (MTPP) since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MTPP was created pursuant to the authority of a: Article 7, Section 28, Michigan Constitution of 1963; b) Section 1, Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Township voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

The Michigan Township Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTPP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself by purchasing reinsurance. Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverage's 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

Alganssee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

The Plan has reinsured 100 percent of its loss reserves and consequently has not reflected a liability for loss reserves on its balance sheet. In July 1992, the Plan entered into a negotiated settlement with Governmental Casualty Insurance Company (GCIC) and agreed to execute a commutation agreement whereby liability for all risks assumed by GCIC under their reinsurance agreements with the plan would be commuted back to the Plan. The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTPP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

Case Loss Reserves	IBNR Reserves	Total Reserves
\$313,550	\$31,252	\$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

POSTEMPLOYMENT BENEFITS

The Township does not provide postemployment benefits.

GASB 34 REPORTING FINANCIAL

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/05, also no current charge is being recorded for current year depreciation. Accordingly the Management and Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Alganssee Township, Branch County
Notes to Financial Statements
For the Year Ended March 31, 2005

CAPITAL ASSETS

A summary of change in general fixed assets follows:

	Balance April 1, 2004	Additions	Retirements	Balance March 31, 2005
Land	\$5,915			\$5,915
Town Hall	29,111			29,111
Cemetery Equipment	402			402
Cemetery Improvements	1,085			1,085
Fence	594			594
Fire Equipment	95,170	8,089		103,259
Office Furniture and Equipment	0	157		157
Totals	<u>\$132,277</u>	<u>\$8,246</u>	<u>\$0</u>	<u>\$140,523</u>

Algansee Township - Branch County
Statement of Revenues And Other Sources Budget And Actual - General Fund
For the Year Ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes			
Current Property Taxes	\$42,000	\$47,148	\$5,148
Property Tax Administration Fees	13,800	11,406	(2,394)
Total Property Taxes	55,800	58,554	2,754
Licenses and Permits			
Zoning Permits/Ordinance Fees	2,700	10,685	7,985
Total Licenses and Permits	2,700	10,685	7,985
State Aid	130,000	138,849	8,849
Total State Aid	130,000	138,849	8,849
Charge for Services			
Lot Sales/Fees	500	840	340
Total Charge for Services	500	840	340
Interest	5,000	8,734	3,734
Total Interest	5,000	8,734	3,734
Other Revenue			
Mercom - Telcom	8,900	7,822	(1,078)
Refunds and Reimbursements	0	0	0
Miscellaneous - Other Revenue	10	3,148	3,138
Total Other Revenue	8,910	10,970	2,060
Total Revenue	<u>\$202,910</u>	<u>\$228,632</u>	<u>\$25,722</u>

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Statement of Expenditures Budget And Actual - General Fund
For the Year Ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$39,440	\$38,296	\$1,144
Total Legislative	39,440	38,296	1,144
General Government			
Supervisor	9,650	8,189	1,461
Elections	7,300	3,481	3,819
Assessor	25,500	13,597	11,903
Township Hall	3,900	2,431	1,469
Clerk	10,150	9,738	412
Board of Review	1,350	660	690
Treasurer	12,200	11,323	877
Cemetery	2,500	559	1,941
Total General Government	72,550	49,978	22,572
Public Safety			
Fire Protection	36,840	27,828	9,012
Planning Commission Board of Appeals	16,750	21,190	(4,440)
Total Public Safety	53,590	49,018	4,572
Public Works			
Drain	5,000	1,982	3,018
Roads	80,000	61,056	18,944
Library	11,900	12,131	(231)
Total Public Works	96,900	75,169	21,731
Capital Outlay			
Clerk	0	157	(157)
Town Hall	60,000	0	60,000
Fire	10,000	8,089	1,911
Total Capital Outlay	70,000	8,246	61,754
Total Expenditures	\$332,480	\$220,707	\$111,773

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Balance Sheet - Special Revenue Funds
March 31, 2005

Road Fund

ASSETS

Accounts Receivable - Special Assessments

\$55,675

Total Assets

\$55,675

LIABILITIES AND FUND EQUITY

Deferred Revenue

\$38,591

Fund Equity

17,084

Total Fund Equity

\$55,675

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
 Statement of Revenues, Expenditures And Changes In Fund Balance
 All Special Revenue Funds
 For the Year Ended March 31, 2005

	ROAD FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$20,814	\$20,814	\$0
Total Revenue	20,814	20,814	0
Expenditures			
Public Works	35,354	35,354	0
Total Expenditures	35,354	35,354	0
Excess of Revenues Over (Under) Expenditures	(14,540)	(14,540)	0
Prior Period Adjustment	44,412	44,412	0
Net Assets - Beginning of the Year	(12,788)	(12,788)	0
Net Assets - End of the Year	\$17,084	\$17,084	\$0

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Combining Statement Of Changes In Assets And Liabilities - Agency Funds
For the Year Ended March 31, 2005

TAX COLLECTION FUND	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Assets				
Cash	<u>\$259,334</u>	<u>\$1,533,238</u>	<u>\$1,718,868</u>	<u>\$73,704</u>
 Total Assets	 <u>\$259,334</u>	 <u>\$1,533,238</u>	 <u>\$1,718,868</u>	 <u>\$73,704</u>
 Liabilities				
Due to General Fund	\$62,730	\$73,704	\$62,730	\$73,704
Due to Other Units of Government	<u>196,604</u>	<u>1,459,534</u>	<u>1,656,138</u>	<u>0</u>
 Total Liabilities	 <u>\$259,334</u>	 <u>\$1,533,238</u>	 <u>\$1,718,868</u>	 <u>\$73,704</u>

The Notes to the Financial Statements are an integral part of this statement.

Algansee Township - Branch County
Combining Balance Sheet - Trust And Agency Funds
March 31, 2005

	AGENCY FUND	TRUST FUND		
	Tax Collection	Expendable Cemetery	Non-Expendable Cemetery	Total
<u>ASSETS</u>				
Cash and Interest-Bearing Deposits	\$73,704	\$5,013	\$2,825	\$81,542
Total Assets	<u>\$73,704</u>	<u>\$5,013</u>	<u>\$2,825</u>	<u>\$81,542</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Due to Other Government Units	\$0	\$0	\$0	\$0
Due to General Fund	73,704	0	0	73,704
Total Liabilities	<u>73,704</u>	<u>0</u>	<u>0</u>	<u>73,704</u>
Fund Equity				
Reserved for Perpetual Care	0	5,013	2,825	7,838
Total Fund Equity	<u>0</u>	<u>5,013</u>	<u>2,825</u>	<u>7,838</u>
Total Liabilities and Fund Equity	<u>\$73,704</u>	<u>\$5,013</u>	<u>\$2,825</u>	<u>\$81,542</u>

The Notes to the Financial Statements are an integral part of this statement.

Phone (616) 651-4225
Fax (616) 651-1989

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Algansee Township Board
Quincy, Michigan

We have audited the general purpose financial statements of the Township of Algansee, as of and for the year ended March 31, 2005, and have issued our report thereon dated August 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Algansee's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

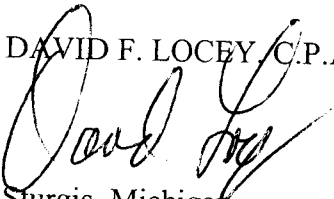
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Algansee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in black ink, appearing to read "David Lochey", written over the printed name.

Sturgis, Michigan
August 9, 2005

David F. Locey, CPA, PC

P.O. Box 7037
67036 N. M-66
Sturgis, MI 49091

(269)-651-4225 Phone
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COMMENTS AND RECOMMENDATIONS

Township Board
Algansee Township
Branch County
Quincy, Michigan 49082

Dear Board Members:

We appreciated the opportunity of serving your board in performing the examination of your records for the year ended March 31, 2005. The following items were noticed in performing the audit, that we feel are of major importance to review in our comments and recommendations letter.

- A. A more accurate system still needs to be maintained to handle special assessments. A detailed subsidiary ledger should be maintained on each special assessment project, this will tell the township board the amount of monies collected or the balances due the township. The system in place now is not up to date and does not include all assessments.
- B. A tremendous amount of time was spent in securing the information needed to get the audit done. A better filing/storage system should be maintained so that all bank statements, receipts and paid bills can be located easier.
- C. We encountered problems balancing the tax collection fund because two parcels marked paid erroneously, were not corrected and billed back to the taxpayer. Also, deposits made did not tie out to the settlement with the county.

The year end audit adjustments will be provided to the treasurer. It is important that they be posted to the general ledger. Without these adjustments the monthly financial statement provided to the board don't reflect the true financial position of the township.

DAVID F. LOCEY, CPA, PC
August 9, 2005